

**JOHNSON COUNTY FIRE DISTRICT NO. 2
JOHNSON COUNTY, KANSAS
FINANCIAL STATEMENTS
WITH AUDITORS REPORT**

DECEMBER 31, 2008

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To the Governing Body
Johnson County Fire District No. 2
Stillwell, Kansas

I have audited the accompanying financial statements of Johnson County Fire District No. 2, as of and for the year ended December 31, 2008, and the individual fund financial statements of the District as of and for the year ended December 31, 2008 as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.


I conducted my audit in accordance with the generally accepted auditing standards in the United States of America and the Kansas Municipal Audit Guide. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, the District prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the regulatory basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, because the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with generally accepted accounting principals in the United States of America, the financial position of Johnson County Fire District No. 2, as of December 31, 2008.

However in my opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the District as of December 31, 2008, and its cash receipts and expenditures for the year then ended, on the basis of accounting described in Note A. Also, in my opinion, the individual fund financial statements as of and for the prior year ended December 31, 2007, present fairly, in all material respects, the cash receipts, expenditures, and unencumbered cash balances, on the basis of accounting described in Note A.

Sincerely Submitted,



L. G. Schallehn
Certified Public Accountant
October 17, 2009

**JOHNSON COUNTY FIRE DISTRICT NO. 2
JOHNSON COUNTY, KANSAS**

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STATEMENT 1

JOHNSON COUNTY FIRE DISTRICT #2

SUMMARY OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH
For the Year Ended December 31, 2008

| | Beginning Unencumbered Cash Balance (Deficit) | Prior Year Cancelled Encumbrances | Cash Receipts | Current Year Expenditures | Transfers In (Out) | Ending Unencumbered Cash Balance | Add Outstanding Encumbrances and Accounts Payable 2008 | Ending Cash Balance |
|--|--|---|------------------|------------------------------|-----------------------|--|---|------------------------|
| Governmental type funds | | | | | | | | |
| General | \$ 440,540.50 | \$ -0- | \$ 3,420,067.24 | \$ 3,261,234.34 | \$ -0- | \$ 599,373.40 | \$ 89,337.84 | \$ 688,711.24 |
| Special revenue Funds | | | | | | | | |
| Ambulances | 271,180.03 | -0- | 442,089.01 | 475,000.00 | -0- | 238,269.04 | -0- | 238,269.04 |
| Debt Service | | | | | | | | |
| Bond and Interest | 221,601.60 | -0- | 372,090.01 | 408,612.50 | -0- | 185,079.11 | -0- | 185,079.11 |
| Fema Grant | 275.70 | -0- | -0- | 275.70 | -0- | -0- | -0- | -0- |
| Construction & Equipment Purchase Projects | | | | | | | | |
| Equipment Purchase Project | 2,957,971.10 | -0- | 38,473.15 | 2,909,364.36 | -0- | 117,079.89 | -0- | 117,079.89 |
| Reserve Funds | | | | | | | | |
| Equipment | 1,175,136.75 | -0- | 24,951.93 | 106,615.40 | -0- | 1,093,473.28 | -0- | 1,093,473.28 |
| Building | 744,805.93 | -0- | 18,094.11 | -0- | -0- | 762,900.04 | -0- | 762,900.04 |
| Total | \$ 5,841,511.61 | \$ -0- | \$ 4,315,765.45 | \$ 7,161,102.30 | \$ -0- | \$ 2,996,174.76 | \$ 89,337.84 | \$ 3,085,512.60 |

Cash balance consisting of:

| | |
|-------------------------------|------------------------|
| Money Market Accounts | |
| Peoples Bank | \$ 17,410.07 |
| Municipal Investment Pool | 3,050,539.50 |
| Cash held by County Treasurer | 62,050.37 |
| Checking Accounts | |
| Peoples Bank | -44,787.34 |
| Great Western-Fema | 0.00 |
| Petty Cash | 300.00 |
| | <u>\$ 3,085,512.60</u> |

The accompanying notes are an integral part of the financial statements.

Statement 2

JOHNSON COUNTY FIRE DISTRICT NO. 2
Statement of Budget Comparison to Chargeable Expenditures for the Year
For the Year Ended December 31, 2008

| Funds | Certified Budget | Adjustment to Comply with Legal Max | Adjustment for Qualified Budget Credits | Total Budget for Comparison | Expenditures Chargeable to Current Year | Variance- Favorable (Unfavorable) |
|--|---------------------|---|---|-----------------------------------|---|---|
| Governmental Type Funds | | | | | | |
| General Fund | \$ 3,375,239.00 | \$ -0- | \$ -0- | \$ 3,375,239.00 | \$ 3,261,234.34 | \$ 114,004.66 |
| Special Revenue Ambulance | 475,000.00 | -0- | -0- | 475,000.00 | 475,000.00 | -0- |
| Debt Service | 596,542.00 | -0- | -0- | 596,542.00 | 408,612.50 | 187,929.50 |
| Special Equipment Replacement Reserve | 2,268,360.00 | -0- | -0- | 2,268,360.00 | 106,615.40 | 2,161,744.60 |
| Special Building Reserve | 805,741.00 | -0- | -0- | 805,741.00 | -0- | 805,741.00 |
| Capital Project | -0- | -0- | -0- | 3,000,000.00 | 2,909,364.36 | 90,635.64 |
| Total | \$ 7,520,882.00 | \$ -0- | \$ -0- | \$ 10,520,882.00 | \$ 7,160,826.60 | \$ 3,360,055.40 |

The accompanying notes are an integral part of the financial statements.

JOHNSON COUNTY FIRE DISTRICT # 2

GENERAL FUND
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

| | 2008 | | | 2007 |
|---|-----------------|-----------------|----------------------------|-----------------|
| | ACTUAL | BUDGET | FAVORABLE (UNFAVORABLE) | ACTUAL |
| REVENUES | | | | |
| Ad Valorem Taxes | \$ 2,348,547.51 | \$ 2,400,784.00 | \$ (52,236.49) | \$ 2,080,427.82 |
| Delinquent Taxes | 38,918.64 | 20,000.00 | 18,918.64 | 25,589.40 |
| Recreation Vehicle Tax | 3,274.22 | 3,465.00 | (190.78) | 3,303.06 |
| Motor Vehicle Tax | 227,555.99 | 225,708.00 | 1,847.99 | 226,561.75 |
| Heavy Truck Tax | 4,652.57 | 4,509.00 | 143.57 | 4,835.60 |
| M & E Slider Tax | 10.13 | - 0 - | 10.13 | - 0 - |
| Excise Tax | - 0 - | - 0 - | - 0 - | 13.71 |
| Reimbursement and Miscellaneous | 102,346.86 | 40,000.00 | 62,346.86 | 4,555.10 |
| Miami Co Fire District-Current Contract | 135,000.00 | 140,000.00 | (5,000.00) | 137,000.00 |
| City of Spring Hill | 478,320.00 | 397,425.00 | 80,895.00 | 369,180.00 |
| City of Olathe | 51,427.00 | 25,000.00 | 26,427.00 | 25,536.00 |
| Sale of Surplus Equipment | - 0 - | - 0 - | - 0 - | - 0 - |
| Interest on Idle Funds | 30,014.32 | 50,000.00 | (19,985.68) | 68,251.07 |
| Total Revenues | 3,420,067.24 | 3,306,891.00 | 113,176.24 | 2,945,253.51 |
| EXPENDITURES | | | | |
| Payroll, Payroll Taxes, Employee Benefits | 3,094,065.26 | 3,219,339.00 | 125,273.74 | 2,920,211.75 |
| Training and Tuition | 23,003.00 | 42,500.00 | 19,497.00 | 9,784.82 |
| Uniforms, Bunker Gear | 29,677.23 | 30,000.00 | 322.77 | 25,512.10 |
| Ambulance-Consumable Supplies & Fees | 6,159.53 | 4,250.00 | (1,909.53) | 4,873.02 |
| Fire-Consumable Supplies | 6,719.95 | 7,500.00 | 780.05 | 5,470.83 |
| Fire Prevention | 4,829.27 | 8,000.00 | 3,170.73 | 2,790.14 |
| Communication-Telephones, Radios, Pagers | 35,062.00 | 37,000.00 | 1,938.00 | 32,327.91 |
| Truck, Ambulance, Auto Maintenance, Tille, Fuel | 118,520.72 | 113,300.00 | (5,220.72) | 100,182.34 |
| Maintenance, Fire, Ambulance Equipment and | | | | |
| Purchase of Small Equipment & Tools | 33,715.90 | 43,800.00 | 10,084.10 | 35,957.25 |
| Utilities | 48,899.69 | 57,000.00 | 8,100.31 | 44,535.58 |
| Insurance, Building & Equipment | 66,904.72 | 59,000.00 | (7,904.72) | 36,949.00 |
| Administrative & Office | 36,627.50 | 50,050.00 | 13,422.50 | 31,815.78 |
| Capital Outlay-New Equip./Bldg.(Non-Major) | 98,988.09 | 60,000.00 | (38,988.09) | 103.45 |
| Legal | 28,243.41 | 20,000.00 | (8,243.41) | 20,828.62 |
| Repairs Maintenance, Equip., Bldg. | 63,079.35 | 31,500.00 | (31,579.35) | 44,816.46 |
| Accounting, Auditing, Budgeting, Payroll Services | 25,631.09 | 26,000.00 | 368.91 | 25,478.37 |
| Ambulance Run Fee Billing Service | 9,807.63 | 6,000.00 | (3,807.63) | 7,514.75 |
| Med-Act Trip Charges | 6,300.00 | - 0 - | (6,300.00) | 6,002.60 |
| ISO Rating Enhancement program | - 0 - | - 0 - | - 0 - | 15,194.42 |
| Grant Match & Contingency | - 0 - | 35,000.00 | 35,000.00 | - 0 - |
| Less-Unallocated Ambulance Expenses Included | (475,000.00) | (475,000.00) | - 0 - | (450,000.00) |
| Total Expenditures | 3,261,234.34 | 3,375,239.00 | (39,931.48) | 2,920,349.19 |
| REVENUES OVER (UNDER) EXPENDITURES | 158,832.90 | (68,348.00) | 73,244.76 | 24,904.32 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating Transfers In (Out) to Eq Reserve Fd | - 0 - | - 0 - | - 0 - | - 0 - |
| Total Other Financing Sources (Uses) | - 0 - | - 0 - | - 0 - | - 0 - |
| REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | 158,832.90 | \$ (68,348.00) | \$ 73,244.76 | \$ 24,904.32 |
| UNENCUMBERED CASH BALANCE, JANUARY 1 | 440,530.50 | | | |
| CHANGES IN ENCUMBRANCES | - 0 - | | | |
| UNENCUMBERED CASH BALANCE, DECEMBER 31 | \$ 599,363.40 | | | |

The accompanying notes are an integral part of the financial statements.

STATEMENT 4

JOHNSON COUNTY FIRE DISTRICT # 2

AMBULANCE FUND
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL (STATUTORY BASIS)

FOR THE YEAR ENDED DECEMBER 31, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

| | 2008 | | | 2007 |
|---|---------------|---------------|----------------------------|---------------|
| | ACTUAL | BUDGET | FAVORABLE (UNFAVORABLE) | ACTUAL |
| <u>REVENUES</u> | | | | |
| Ad Valorem Taxes | \$ 242,572.58 | \$ 247,969.00 | \$ (5,396.42) | \$ 308,047.05 |
| Delinquent Taxes | 6,596.68 | 5,600.00 | 996.68 | 4,642.12 |
| Recreation Vehicle Tax | 500.82 | 513.00 | (12.18) | 601.36 |
| Motor Vehicle Tax | 35,080.69 | 33,420.00 | 1,660.69 | 41,254.08 |
| Heavy Truck Tax | 845.81 | 820.00 | 25.81 | 886.67 |
| M & E Slider Tax | 1.67 | - 0 - | 1.67 | - 0 - |
| Excise Tax | | - 0 - | - 0 - | 2.50 |
| Miami Co Fire District-Prior Year Contract | - 0 - | - 0 - | - 0 - | - 0 - |
| Miami Co Fire District-Current Contract | 36,540.00 | 39,000.00 | - 0 - | 30,000.00 |
| Ambulances Run Fees | 117,083.77 | 76,000.00 | 41,083.77 | 110,873.07 |
| Contributions/Donations | - 0 - | - 0 - | - 0 - | - 0 - |
| Interest on Idle Funds | 2,866.99 | 1,000.00 | 1,866.99 | 7,556.95 |
| Total Revenues | 442,089.01 | 404,322.00 | 40,227.01 | 503,863.80 |
| <u>EXPENDITURES</u> | | | | |
| Contractual-Fire & Rescue Service | - 0 - | - 0 - | - 0 - | - 0 - |
| Transfer to Special Equipment Reserve | - 0 - | - 0 - | - 0 - | - 0 - |
| Total Expenditures | - 0 - | - 0 - | - 0 - | - 0 - |
| REVENUES OVER (UNDER) EXPENDITURES | 442,089.01 | 404,322.00 | 40,227.01 | 503,863.80 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Operating Transfers In | - 0 - | - 0 - | - 0 - | - 0 - |
| Operating Transfers Out | (475,000.00) | (475,000.00) | - 0 - | (450,000.00) |
| Total Other Financing Sources (Uses) | (475,000.00) | (475,000.00) | - 0 - | (450,000.00) |
| REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | (32,910.99) | \$ (70,678) | \$ 40,227.01 | \$ 53,863.80 |
| FUND BALANCE/SURPLUS, JANUARY 1 | 271,180.03 | | | |
| CHANGES IN ENCUMBRANCES | - 0 - | | | |
| FUND BALANCE, DECEMBER 31 | \$ 238,269.04 | | | |

The accompanying notes are an integral part of the financial statements.

JOHNSON COUNTY FIRE DISTRICT # 2

DEBT SERVICE FUND
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL (STATUTORY BASIS)

FOR THE YEAR ENDED DECEMBER 31, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

| | 2008 | | | 2007 |
|--|----------------------|------------------------|----------------------------|-------------------|
| | ACTUAL | BUDGET | FAVORABLE (UNFAVORABLE) | ACTUAL |
| REVENUES | | | | |
| Ad Valorem Taxes | \$ 306,552.20 | \$ 310,808.00 | \$ (4,255.80) | \$ 439,488.13 |
| Delinquent Taxes | 5,589.03 | - 0 - | 5,589.03 | 4,339.57 |
| Recreation Vehicle Tax | 503.82 | 614.00 | (110.18) | 361.60 |
| Motor Vehicle Tax | 50,771.40 | 54,150.00 | (3,378.60) | 37,115.46 |
| Heavy Truck Tax | 604.29 | 390.00 | 214.29 | 636.29 |
| Excise Tax | 553.56 | - 0 - | 553.56 | 506.62 |
| Prior yr taxes | - 0 - | - 0 - | - 0 - | 6,062.15 |
| Interest Income | 6,423.21 | - 0 - | 6,423.21 | 13,637.17 |
| Total Revenues | 370,997.51 | 365,962.00 | 5,035.51 | 502,146.99 |
| EXPENDITURES | | | | |
| Bond Principal Payment | 305,000.00 | 305,000.00 | - 0 - | 250,000.00 |
| Interest Payments | 103,125.00 | 103,125.00 | - 0 - | 132,421.25 |
| Postage & Commission | 487.50 | - 0 - | (487.50) | - 0 - |
| Cash Basis Requirement | - 0 - | 68,202.00 | 68,202.00 | - 0 - |
| Total Expenditures | 408,612.50 | 476,327.00 | 67,714.50 | 382,421.25 |
| REVENUES OVER (UNDER) EXPENDITURES | (37,614.99) | \$ (110,365.00) | \$ 72,750.01 | 119,725.74 |
| OTHER FINANCING SOURCES AND USES | | | | |
| Interest earned completed projects | 1,092.50 | | | |
| Total Other Financing Sources (Uses) | 1,092.50 | | | |
| REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | (36,522.49) | | | |
| FUND BALANCE/SURPLUS, JANUARY 1 | 221,601.64 | | | |
| FUND BALANCE, DECEMBER 31 | \$ 185,079.15 | | | |

The accompanying notes are an integral part of the financial statements.

STATEMENT 6

JOHNSON COUNTY FIRE DISTRICT # 2

EQUIPMENT REPLACEMENT RESERVE FUND
STATEMENT OF REVENUE AND EXPENDITURES
AND CHANGES IN FUND BALANCEFOR THE YEAR ENDED DECEMBER 31, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

| | <u>2008</u> | <u>2007</u> |
|--|------------------------|------------------------|
| <u>RECEIPTS</u> | | |
| Interest Income | \$ 24,951.93 | \$ 54,142.27 |
| Total Receipts | <u>24,951.93</u> | <u>54,142.27</u> |
| <u>DISBURSEMENTS</u> | | |
| Equipment Purchases | <u>106,615.40</u> | <u>-0-</u> |
| Total Disbursements | <u>106,615.40</u> | <u>-0-</u> |
| <u>OTHER FINANCING SOURCES AND USES</u> | | |
| Sale of Equipment | -0- | -0- |
| Transfers In- Reimbursements from project fund | -0- | -0- |
| Transfers In-General Fund | <u>-0-</u> | <u>-0-</u> |
| Total Other Financing Sources and Uses | <u>-0-</u> | <u>-0-</u> |
| REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | (81,663.47) | 54,142.27 |
| FUND BALANCE- JANUARY 1 | 1,175,136.75 | 1,120,994.48 |
| Changes in Encumbrances | <u>-0-</u> | <u>-0-</u> |
| FUND BALANCE-DECEMBER 31 | <u>\$ 1,093,473.28</u> | <u>\$ 1,175,136.75</u> |

The accompanying notes are an integral part of the financial statements.

STATEMENT 7

JOHNSON COUNTY FIRE DISTRICT # 2

BUILDING REPLACEMENT RESERVE FUND
STATEMENT OF REVENUE AND EXPENDITURES
AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

| | <u>2008</u> | <u>2007</u> |
|--|----------------------|----------------------|
| <u>RECEIPTS</u> | | |
| Insurance Proceeds | \$ -0- | \$ -0- |
| Interest Income | <u>18,094.11</u> | <u>36,673.84</u> |
| Total Receipts | <u>18,094.11</u> | <u>36,673.84</u> |
| <u>DISBURSEMENTS</u> | | |
| Building Capital Improvements | -0- | -0- |
| 2006 Bond Construction Costs | <u>-0-</u> | <u>-0-</u> |
| Total Disbursements | <u>-0-</u> | <u>-0-</u> |
| <u>OTHER FINANCING SOURCES AND USES</u> | | |
| Transfers In-Construction Project Reimbursement | <u>-0-</u> | <u>-0-</u> |
| Total Other Financing Sources and Uses | <u>-0-</u> | <u>-0-</u> |
| REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | 18,094.11 | 36,673.84 |
| FUND BALANCE- JANUARY 1 | 708,132.09 | 708,132.09 |
| Changes in Encumbrances | <u>-0-</u> | <u>-0-</u> |
| FUND BALANCE-DECEMBER 31 | <u>\$ 726,226.20</u> | <u>\$ 744,805.93</u> |

The accompanying notes are an integral part of the financial statements.

JOHNSON COUNTY FIRE DISTRICT # 2

CAPITAL PROJECT FUND - 2007 - EQUIPMENT PURCHASES
STATEMENT OF REVENUE AND DISBURSEMENTS
AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 2008

| | | | |
|--|------------------------|------------------------|------------------------------|
| Project Authorization (Bonds Issued 011/15/2007) | <u>\$ 3,000,000.00</u> | | |
| | <u>2008</u> | <u>2007</u> | <u>Total Project To Date</u> |
| <u>RECEIPTS</u> | | | |
| Interest | <u>\$ 38,473.15</u> | <u>\$ 15,398.11</u> | <u>\$ 53,871.26</u> |
| Total Receipts | <u>38,473.15</u> | <u>15,398.11</u> | <u>53,871.26</u> |
| <u>DISBURSEMENTS</u> | | | |
| Equipment Purchases | <u>2,909,364.36</u> | <u>- 0 -</u> | <u>2,909,364.36</u> |
| Total Disbursements | <u>2,909,364.36</u> | <u>- 0 -</u> | <u>2,909,364.36</u> |
| <u>OTHER FINANCING SOURCES AND USES</u> | | | |
| Proceeds from General Bonds Issued | <u>- 0 -</u> | <u>3,000,000.00</u> | <u>3,000,000.00</u> |
| Cost of Bonds Issuance | <u>- 0 -</u> | <u>(27,427.01)</u> | <u>(27,427.01)</u> |
| Total Other Financing Sources and Uses | <u>- 0 -</u> | <u>2,972,572.99</u> | <u>2,972,572.99</u> |
| REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | <u>(2,870,891.21)</u> | <u>2,987,971.10</u> | <u>117,079.89</u> |
| FUND BALANCE- JANUARY 1 | <u>2,987,971.10</u> | <u>- 0 -</u> | <u>- 0 -</u> |
| FUND BALANCE-DECEMBER 31 | <u>\$ 117,079.89</u> | <u>\$ 2,987,971.10</u> | <u>\$ 117,079.89</u> |

The accompanying notes are an integral part of the financial statements

JOHNSON COUNTY FIRE DISTRICT # 2

FEMA GRANT PROJECT FUND - 2005
 JOHNSON COUNTY FIRE DISTRICT REGIONAL GRANT
 GRANT NUMBER EMW-2005-FG-06470

STATEMENT OF REVENUE AND DISBURSEMENTS
 AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 2008

| | | | | | |
|--|----------------------|------------------|--------------------|-----------------------|---------------------|
| Grant Award-FEMA | \$ 542,000.00 | | | | |
| Johnson County Ks Participation award | 53,800.00 | | | | |
| Total | <u>\$ 595,800.00</u> | | | | |
| | 2008 | 2007 | 2006 | 2005 | Accumulated 2008 |
| RECEIPTS | | | | | |
| Grant receipts-FEMA | \$ -0- | \$ -0- | \$ 518,650.25 | \$ - | \$ 518,650.25 |
| Johnson County Participation | - 0 - | - 0 - | 53,800.00 | - 0 - | 53,800.00 |
| Total Receipts | <u>- 0 -</u> | <u>- 0 -</u> | <u>572,450.25</u> | <u>- 0 -</u> | <u>572,450.25</u> |
| DISBURSEMENTS | | | | | |
| Equipment Purchases | - 0 - | - 0 - | 434,341.30 | - 0 - | 434,341.30 |
| Software Purchases | - 0 - | - 0 - | 111,126.25 | 34,168.75 | 135,295.00 |
| Audit fee | - 0 - | 2,500.00 | - 0 - | - 0 - | 2,500.00 |
| Administrative Costs(Bank Charges) | 275.70 | - 0 - | 38.25 | 38.25 | 313.95 |
| Total Disbursements | <u>275.70</u> | <u>2,500.00</u> | <u>545,505.80</u> | <u>34,207.00</u> | <u>572,450.25</u> |
| OTHER FINANCING SOURCES AND USES | | | | | |
| District | - 0 - | - 0 - | - 0 - | - 0 - | - 0 - |
| Total Other Financing Sources and Uses | <u>- 0 -</u> | <u>- 0 -</u> | <u>- 0 -</u> | <u>- 0 -</u> | <u>- 0 -</u> |
| REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | (275.70) | (2,500.00) | 26,944.45 | (34,207.00) | - 0 - |
| FUND BALANCE- JANUARY 1 | 275.70 | 2,775.70 | (24,168.75) | (24,168.75) | - 0 - |
| Changes in Encumbrances | - 0 - | - 0 - | - 0 - | - 0 - | - 0 - |
| FUND BALANCE-DECEMBER 31 | <u>\$ -0-</u> | <u>\$ 275.70</u> | <u>\$ 2,775.70</u> | <u>\$ (58,375.75)</u> | <u>\$ -0-</u> |

The accompanying notes are an integral part of the financial statements.

JOHNSON COUNTY FIRE DISTRICT NUMBER 2
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

Statutory Basis of Accounting. The statutory basis of accounting as used in preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, encumbrances are commitments related to unperformed (executory) Contracts for goods and services, and are usually evidenced by a purchase order or a written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The following represent the more significant accounting and reporting practices of the District.

1. Reporting Entity

The District's financial statements include the accounts of all District operations. The criteria for including organizations as component units with in the Districts reporting entity, as set forth in Section 3100 of the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's Board.
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is fiscal dependency by the organization by the District

Based on the aforementioned criteria, Johnson County Fire District No. 2 has no component units.

2. Basis of Presentation: Fund Accounting

Departure from Generally Accepted Accounting Principles. The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balances are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General fixed assets that account for the land, building, and equipment owned by the municipality is not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

JOHNSON COUNTY FIRE DISTRICT NUMBER 2,
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE A - GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd)

Governmental Fund Types

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities are accounted for through governmental fund types. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the District's governmental fund types:

General Fund -- The general operating fund of the District, accounts for all resources of JCFD#2 that are not required to be accounted for in the special revenue funds.

Special Revenue Funds -- accounts for the proceeds of specific revenue sources (other than trust or major capital projects), the expenditures for which are legally restricted for purposes specified.

Debt Service Revenue Funds -- accounts for the proceeds for debt service revenue sources, the expenditures for which are legally restricted for purposes specified.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad-valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments for this year.

House bill 2227 effective July 1, 1993, provides a budget review and approval process by the board of County Commissioners.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

JOHNSON COUNTY FIRE DISTRICT NUMBER 2
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE A - GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd)

A legal operating budget is not required for capital project funds, trust funds, and the following special revenue fund:

Equipment, Building Reserve and Replacement Fund

Spending in funds which are not subject to the legal annual operating budget requirements are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

3. Measurement Focus, Basis of Accounting, Financial Statement Presentation

Sick Leave:

The District a Sick leave policy is as follows:

Employees accrue sick leave on a monthly basis. Shift employees in regular full-time positions accrue one working day each month of service. Forty hour per week employee in regular full-time positions accrue two working days for each month of service. Maximum accrual is 45 shifts for shift employees and ninety days for regular full time employees. Sick pay is paid as normal wages as used. No unused accumulated sick pay is paid at termination.

4. Investments

The District invests in authorized investment pools and certificate of deposits. Investments are carried at fair value.

5. Fixed Assets

Fixed assets are valued at historic costs or estimated historic cost if actual historical cost is not available. Donated assets are valued at their estimated fair value on the date donated.

6. Comparative Data

Summaries of comparative data for the prior year have been presented in the accompanying general-purpose financial statements to provide an understanding of changes in JCFD#2 financial position and operations.

7. Cash and Cash Equivalents

Cash of all funds, excluding the District payroll clearing account, is pooled in a common interest bearing bank account in order to maximize investment opportunities. Designated certificates of deposits are carried in the respective fund.

8. Total Columns on General Purpose Financial Statements.

Total columns on the General Purpose Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results or operations, or cash flows in conformity with general accepted accounting principles. Neither is such data comparable to a consolidation.

B. COMPLIANCE WITH KANSAS STATUTES

No Statutory violations were noted.

JOHNSON COUNTY FIRE DISTRICT NUMBER 2,

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

C. CASH AND INVESTMENTS

At year-end the carrying amount of the District's deposits was \$3,085,312. The bank balances are listed below. The demand deposit bank balances, was covered by \$200,000 FDIC insurance and the remaining balance was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the District's name. \$3,050,540 was held by the State Investment Pool. The third-party banks holding the pledged securities, with a market value in the amount of \$ 62,605 is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the District, the pledging bank, and the independent third-party bank holding the pledged securities.

Kansas State Statutes authorize the District to invest in U.S. Treasury bills and notes, repurchase agreements, and the State Treasurer's investment pool. All investments must be insured, registered, or held by the District or its agent in the District's name. The District's investments are categorized to give an indication of the level of risk assumed by the entity at year-end.

Category 1 includes investments that are insured or registered, or for which the securities are held by the District or its agent in the District's name.

Category 2 includes uninsured and unregistered investments for which the securities are held by the dealer bank's trust department or agent in the District's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the dealer bank. Of the three risk categories, the investments classified in Risk Category 1 have the least risk to the District.

| Investment Type | Risk Category | | | Carrying Amount | FDIC Coverage | Collateral Market Value |
|--------------------|---------------|----------|----------|--------------------|------------------|-------------------------------|
| | <u>1</u> | <u>2</u> | <u>3</u> | | | |
| Peoples Bank | | | | | | |
| Checking | \$ 11,360 | \$ 0 | \$ 0 | \$ 11,360 | \$ 200,000 | |
| Money Market | \$ 17,752 | \$ 0 | \$ 0 | \$ 17,410 | \$ 200,000 | |
| Total | \$ 29,112 | \$ 0 | \$ 0 | \$ 29,112 | | \$ 62,605 |

STATE TREASURER'S
INVESTMENT POOL

\$ 3,050,540

At December 31, 2008, all of the District's deposits and investments were properly insured or collateralized.

JOHNSON COUNTY FIRE DISTRICT NUMBER 2
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

C. PROPERTY TAX RECEIVABLES

In accordance with governing state statutes, property taxes levied during the current year are revenue sources to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and are levied and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, the taxes levied during the current year are not susceptible for revenue accrual; however, such taxes are a lien on the property and are recorded as taxes receivable, net of anticipated delinquencies, with a corresponding amount recorded as deferred revenue. It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the year and, further, the amounts thereof are not material in relation to the financial statements taken as a whole.

7. INVENTORIES AND PREPAID EXPENSES

Inventories and prepaid expenses, which benefit future periods, are recorded as expenditures during the year of purchase as required by state statute.

8. GENERAL FIXED ASSETS

The expenditures for fixed assets are reflected in the year the expenditures are made. No estimated useful lives, in years, has been calculated for depreciation purposes for fixed assets.

9. DEFINED BENEFIT PENSION PLAN

Plan Description - The Fire District participates in the Kansas Public Employees Retirement System (KPERS). The plan is part of a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, ET seq. KPERS provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefits provisions.

KPERS issue a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (400 SW 8th Avenue, Suite 200, Topeka, KS 66603-3925).

Funding Policy - K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. K.S.A. 74-4975 establishes KP&F member-employee contribution rate. The employer collects and remits member-employee contributions in according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute for calendar year 1/01/08 to 12/31/08 is 6.27%. The District has contributed to KPERS for December 31, 2007, 2006, 2005, respectively, equals to the statutory required contributions for each year.

14. LITIGATION

The District is not involved, as of October 20, 2009 in any litigation considered material according to responses from the District's legal counsel.

15. COMMITMENTS

The Fire District has no outstanding purchase orders encumbering 2008 funds of the District. The District had contracts to purchase four fire trucks and had made deposits with the vendor for the amount of the purchase.

JOHNSON COUNTY FIRE DISTRICT NUMBER 2
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

16. GENERAL LONG TERM DEBT

The District has issued General Obligation Bonds, Refunding Series 2004 in the amount of \$810,000 to fund the redemption of the General Obligation Bonds, Series 1997 Series a on the redemption date of September 1, 2004. The Net Present Value Benefit as calculated by George K. Baum & Co. from this refunding is \$17,674.23. Upon receipt of the bond proceeds, the Escrow Trustee deposited \$795,000 in the Escrow Fund for funding the redemption of Series 1997 bonds on redemption date. Maturity Dates of the Series 2004 refunding bonds are listed below. The District has issued General Obligation Bonds Series 2006A Dated March 1, 2006 in the amount of \$1,055,000 for the purpose of Fire Stations Upgrade and remodeling. Also the District issued General Obligation Bonds Series 2007A Dated November 15, 2007 in the amount of \$3,000,000 for the purpose of acquiring new Fire Apparatus.

A summary of general long-term debt is as follows:

| <u>Description</u> | <u>Issued</u> | <u>Retired</u> | <u>Refunded</u> | <u>Balance at December 31, 2007</u> |
|--|---------------------|------------------|-----------------|---|
| General Obligation Bonds, 2001-A Capital Improvements \$1,350,000 Original Issue Interest 4.6% to 4.7% Final Maturity 9/1/2012 | <u>\$1,350,000</u> | <u>\$,000</u> | <u>\$ -0-</u> | <u>\$1,350,000</u> |
| <u>Description</u> | <u>Issued</u> | <u>Retired</u> | <u>Refunded</u> | <u>December 31, 2007</u> |
| General Obligation Refunding Bonds, Series 2004 \$810,000 Original Issue Interest 2.00% to 2.85% Final Maturity 9/1/2007 | <u>\$ 810,000</u> | <u>\$220,000</u> | <u>\$ -0-</u> | <u>\$ -0-</u> |
| <u>Description</u> | <u>Issued</u> | <u>Retired</u> | <u>Refunded</u> | <u>December 31, 2007</u> |
| General Obligation Refunding Bonds, Series 2006A Dated 3-01-06 \$1,055,000 Original Issue Interest 3.50% to 5.00% Final Maturity 9/1/2021 | <u>\$ 1,055,000</u> | <u>\$30,000</u> | <u>\$ -0-</u> | <u>\$1,025,000</u> |
| <u>Description</u> | <u>Issued</u> | <u>Retired</u> | <u>Refunded</u> | <u>December 31, 2007</u> |
| General Obligation Refunding Bonds, Series 2007A Dated 11-15-07 \$3,000,000 Original Issue Interest 3.45% to 4.25% Final Maturity 9/1/2018 | <u>\$ 3,000,000</u> | <u>\$0</u> | <u>\$ -0-</u> | <u>\$3,000,000</u> |

The following is a summary of the Series bonds and lease principal maturities and interest.

| <u>Year Ending December 31</u> | <u>General Obligation Bonds</u> | | <u>Capital Lease</u> |
|------------------------------------|-------------------------------------|--------------------|--------------------------|
| | <u>Bond</u> | <u>Interest</u> | |
| 2009 | 425,000 | \$ 287,407 | -0- |
| 2010 | 600,000 | 180,550 | -0- |
| 2011 | 625,000 | 154,120 | -0- |
| 2012 | 650,000 | 128,140 | -0- |
| 2013 | 778,140 | 101,913 | -0- |
| 2014 to 2019 | 3,190,307 | 298,480 | -0- |
| 2020 to 2021 | 270,000 | 21,915 | -0- |
| Total | <u>5,080,000</u> | <u>\$1,172,525</u> | |

**JOHNSON COUNTY FIRE DISTRICT NUMBER 2
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2008

16. Risk Management

The district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the district carries commercial insurance. Settlements of claims did not exceed coverage for the year.